

STATE OF WASHINGTON  
DEPARTMENT OF FINANCIAL INSTITUTIONS  
SECURITIES DIVISION

IN THE MATTER OF DETERMINING ) Order No. S-04-010-04-TO01  
Whether there has been a violation of the )  
Securities Act of Washington by: ) SUMMARY ORDER TO CEASE AND  
Oxford Micro Devices, Inc.; Boundless ) DESIST, STATEMENT OF CHARGES AND  
Security Systems, Inc.; and Steven G. Morton ) NOTICE OF INTENT TO IMPOSE FINE  
Respondents )  
THE STATE OF WASHINGTON TO: Oxford Micro Devices, Inc.; Boundless  
Security Systems, Inc.; and Steven G. Morton

**STATEMENT OF CHARGES**

Please take notice that the Securities Administrator of the State of Washington has reason to believe that Respondents, Oxford Micro Devices, Inc.; Boundless Security Systems, Inc.; and Steven G. Morton, have each violated the Securities Act of Washington and that their violations justify the entry of an order of the Securities Administrator under RCW 21.20.390 against each to cease and desist from such violations and to impose fines pursuant to RCW 21.20.395. The Securities Administrator finds that delay in ordering the Respondents to cease and desist from such violations would be hazardous to the investors and to the public and that a Summary Order to Cease and Desist should be entered immediately. The Securities Administrator finds as follows:

**TENTATIVE FINDINGS OF FACT**

**I. RESPONDENTS**

1. Oxford Micro Devices, Inc. ("Oxford Micro Devices") is a Delaware corporation with its principal place of business at 731 Main Street in Monroe, Connecticut. Oxford Micro

1 Devices purportedly developed and tried to market a biometric gunlock and then began working  
2 on other security products, including security cameras.

3 2. Boundless Security Systems, Inc. (“Boundless Security”) is a Delaware corporation  
4 with its principal place of business at 731 Main Street in Monroe, Connecticut. Boundless  
5 Security is purportedly in the business of developing and marketing security products, including  
6 security cameras.

7  
8 3. Steven G. Morton (“Morton”) is President of Oxford Micro Devices, Inc. and  
9 Boundless Security Systems, Inc.

10 II. OFFER AND SALE OF OXFORD MICRO DEVICES, INC. STOCK AND STOCK  
11 WARRANTS

12 During 1999 and 2000, Steven G. Morton offered and sold more than \$1,200,000 worth  
13 of Oxford Micro Devices, Inc. stock and stock warrants to more than thirty investors. Morton  
14 sold Oxford Micro Devices stock at prices ranging from \$6.667 per share to \$10 per share. The  
15 stock warrants were sold for ten cents per share. The investors included at least four Washington  
16 residents, at least two of whom had no financial expertise and had a net worth of less than a  
17 million dollars and a net income of less than \$200,000 per year.

18 III. MISREPRESENTATIONS OR OMISSIONS WHEN SELLING OXFORD MICRO  
19 DEVICES, INC. STOCK AND STOCK WARRANTS

20 When offering and selling the Oxford Micro Devices, Inc. stock and stock warrants,  
21 Morton represented to several investors, without a reasonable basis, that the company’s stock  
22 would be publicly traded within one to two years from the date of their investment. Morton  
23 represented to at least one investor that the investment would be worth seven to nine times more  
24 once the company went public. Morton also represented to at least one investor that the stock  
25 would go public at \$8 to \$10 per share and would split many times within a short time period.

1 Morton failed to disclose the risks of the investment. Morton failed to give the investors  
2 financial statements for Oxford Micro Devices. Morton failed to disclose that the stock price and  
3 stock warrant price were arbitrary and did not reflect the underlying value of the company.  
4 Morton failed to disclose whether the company held any patents on its products. Morton failed  
5 to disclose information about the market for the company's products and the competitors of the  
6 company. Morton failed to disclose the company's product sales history and any limitations on  
7 product development and marketing. Morton failed to disclose how much capital was required  
8 to operate the company. Morton failed to identify the use of proceeds from investors.  
9

#### 10 IV. OFFER OF BOUNDLESS SECURITY SYSTEMS, INC. STOCK

11 From October through December 2003, Steve Morton offered more than \$500,000 worth  
12 of Boundless Security Systems, Inc. stock to at least three Washington residents who were  
13 former high school classmates of Morton's.

#### 14 V. MISREPRESENTATIONS OR OMISSIONS WHEN OFFERING BOUNDLESS 15 SECURITY SYSTEMS, INC. STOCK

16 When offering the Boundless Security Systems, Inc. stock, Morton gave a prospective  
17 investor financial projections showing that Boundless would have net income of more than  
18 \$650,000 in year one, more than \$5.5 million in year 2 and more than \$11 million in year 3.  
19 There was no reasonable basis for these projections and Morton failed to disclose the  
20 assumptions underlying the projections.

21 When offering the Boundless Security Systems, Inc. stock, Morton failed to disclose  
22 significant risks about the investment. Morton failed to disclose his own managerial experience  
23 and the prior business failure of Oxford Micro Devices, which was engaged in the same type of  
24 business as Boundless Security. Morton failed to provide any historical financial statements for  
25

1 Boundless Security. Morton failed to disclose whether the company held any interest in patents  
2 for the company's products. Morton failed to disclose the company's product sales history and  
3 any limitations on product development and marketing. Morton failed to disclose how much  
4 capital was required to operate the company.

#### 5 IV. UNREGISTERED SECURITIES

6 Oxford Micro Devices, Inc. and Boundless Security Systems, Inc. are not currently  
7 registered to sell their securities in the state of Washington and have not previously been so  
8 registered.  
9

#### 10 V. UNREGISTERED SECURITIES SALESPERSON

11 Steven G. Morton is not currently registered as a securities salesperson or broker-dealer  
12 in the state of Washington and has not previously been so registered.

#### 13 VI. THREAT TO THE INVESTING PUBLIC

14 The Securities Administrator finds that the continued offering of stock in the manner  
15 described above presents a threat to the investing public.

16 Based upon the Tentative Findings of Fact, the following Conclusions of Law are made:

#### 17 CONCLUSIONS OF LAW

##### 18 I.

19 The offer or sale of stock and stock warrants described above constitutes the offer or sale  
20 of a security as defined in RCW 21.20.005(10) and (12).  
21

##### 22 II.

23 The offer or sale of said securities is in violation of RCW 21.20.140 because there was no  
24 registration for such offer or sale on file with the Securities Administrator.  
25

1 III.

2 Steven G. Morton has violated RCW 21.20.040 by offering or selling said securities  
3 while not registered as a securities salesperson or broker-dealer in the state of Washington.

4 IV.

5 The offer or sale of said securities was made in violation of RCW 21.20.010 because  
6 Morton made untrue statements of material fact and omitted to state material facts necessary in  
7 order to make the statements made, in the light of the circumstances under which they were  
8 made, not misleading.  
9

10 V.

11 The Securities Administrator finds that an emergency exists, that the continued  
12 violations of RCW 21.20.010, RCW 21.20.040, and RCW 21.20.140 constitutes a threat to  
13 the investing public, and that summary orders to cease and desist from those violations is in  
14 the public interest and necessary for the protection of the investing public.

15 **NOTICE OF INTENT TO IMPOSE A FINE**

16 Based upon the misrepresentations or omissions made in connection with the offer and  
17 sale of stock and stock warrants as described in the Tentative Findings of Fact and  
18 Conclusions of Law, the Securities Administrator finds that there have been knowing or  
19 reckless violations of the Securities Act of Washington by Boundless Security Systems, Inc.  
20 and Steven G. Morton that justify the imposition of fines pursuant to RCW 21.20.395.  
21 Therefore, the Securities Administrator intends to order Boundless Security Systems, Inc. and  
22 Steven G. Morton to each pay a fine of \$5,000.  
23  
24  
25

1 **SUMMARY ORDER**

2 Based on the foregoing, NOW, THEREFORE, IT IS HEREBY SUMMARILY  
3 ORDERED that Oxford Micro Devices, Inc.; Boundless Security Systems, Inc.; and Steven G.  
4 Morton and their agents and employees shall each cease and desist from offering or selling  
5 securities in any manner in violation of RCW 21.20.140, the securities registration section of the  
6 Securities Act of Washington.

7  
8 It is further SUMMARILY ORDERED that Steven G. Morton and his agents and  
9 employees shall each cease and desist from violation of RCW 21.20.040, the securities  
10 salesperson and broker-dealer registration section of the Securities Act of Washington.

11 It is further SUMMARILY ORDERED that Oxford Micro Devices, Inc.; Boundless  
12 Security Systems, Inc.; and Steven G. Morton and their agents and employees shall each cease  
13 and desist from violation of RCW 21.20.010, the anti-fraud section of the Securities Act of  
14 Washington.

15 **AUTHORITY AND PROCEDURE**

16 This Order is entered pursuant to the provisions of RCW 21.20.390 and RCW 21.20.395  
17 and is subject to the provisions of RCW 34.05. The respondents, Oxford Micro Devices, Inc.;  
18 Boundless Security Systems, Inc.; and Steven G. Morton, may each make a written request for a  
19 hearing as set forth in the NOTICE OF OPPORTUNITY TO DEFEND AND OPPORTUNITY  
20 FOR HEARING accompanying this order.

21  
22 If a respondent fails to make a timely hearing request, the Securities Administrator intends  
23 to adopt the above Tentative Findings of Fact and Conclusions of Law as final and make the  
24 summary order to cease and desist permanent as to that respondent.

1 If either Boundless Security Systems, Inc. or Steven G. Morton fails to make a timely  
2 hearing request, the Securities Administrator will impose the fine sought against that party.  
3 The Securities Administrator may enter a final order imposing the fine, file a certified copy of  
4 the order in superior court and proceed to collect the fine in accordance with RCW 21.20.395.

5 WILLFUL VIOLATION OF THIS ORDER IS A CRIMINAL OFFENSE.

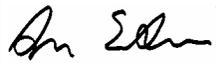
6 Dated this 17th day of May, 2004

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9 

10 Michael E. Stevenson  
11 Michael E. Stevenson  
12 Securities Administrator

13 Approved by:

14 Presented by:

15 

16 Suzanne E. Sarason  
17 Suzanne E. Sarason  
18 Chief of Enforcement

19 

20 Janet So  
21 Janet So  
22 Financial Legal Examiner